United Nations DP/2009/12

# Executive Board of the United Nations Development Programme and of the United Nations Population Fund

Distr.: General
1 May 2009

Original: English

**Annual session 2009**
26 May to 5 June 2009, New York
Item 3 of the provisional agenda
**Funding commitments to UNDP**

## Status of regular funding commitments to UNDP and its associated funds and programmes for 2009 and onward*

*Summary*

In decision 98/23, the Executive Board designated its second regular session each year, starting in 1999, as the time to review the status of regular funding commitments to UNDP and its associated funds and programmes. In line with that decision, and building on the approach taken in that context, the present report presents the status of regular funding commitments for 2009 and onward, and a summary of the provisional income for regular and other resources received in 2008.

*Elements of a decision*

The Executive Board may wish to note that UNDP has been able to meet the first annual funding target (2008) for regular ('core') resources set out in its strategic plan, covering the period 2008-2011.

The Executive Board may further wish to note the concern of UNDP that according to current projections and subject to exchange rate fluctuations, contributions to UNDP regular resources are expected to fall to a level of approximately $985 million in 2009 and are, at this point, highly unpredictable for the year 2010.

The Executive Board may wish to recall General Assembly resolution 62/208 on the triennial comprehensive policy review of operational activities for development of the United Nations system; to reiterate that regular resources form the bedrock of UNDP finances; and to request all countries that have not yet done so to provide contributions to regular resources for 2009.

The Executive Board may wish to stress the importance of a stable, predictable base of regular resources and encourage Member States to announce pledges, on a multi-year basis if feasible, and payment schedules, and to adhere to such pledges and payment schedules thereafter.

09-32160 (E) 190509

## Contents


| *Chapter* | | *Page* |
|---|---|---|
| I. | Introduction | 3 |
| II. | Background | 3 |
| III. | Preparatory process | 5 |
| IV. | Volume | 6 |
| | A. UNDP regular resources | 6 |
| | B. UNDP other resources | 6 |
| V. | Predictability | 8 |
| VI. | Reducing overdependence on a limited number of donors | 9 |
| VII. | Conclusions | 10 |

# I. Introduction

1. Contributions to regular ('core') resources reached $1.10 billion in 2008 in nominal terms, slightly below the level of $1.12 billion achieved in 2007, but meeting the first annual target for regular resources as set out in the UNDP strategic plan, 2008-2011. Although not all donor countries were in a position to maintain their 2007 contributions in 2008, total contributions reached the 2007 level due to: volume increases in regular contributions in nominal local currency terms by some donor countries; exchange rate gains; and full payment of pledges made by Member States.

2. Current projections for 2009 suggest that, while most donors will maintain their contributions despite domestic constraints due to the global economic and financial crisis, some donors will decrease their contributions. Others had not yet indicated the level of their contribution at the time of writing this report. Based on official United Nations exchange rates as at 1 May 2009, contributions are expected to decrease to approximately $985 million in 2009, subject to exchange rate fluctuations, and therefore fall considerably short of the second annual target set out in the UNDP strategic plan, 2008-2011.

3. Contributions to UNDP reached almost $4.73 billion[1] in 2008, with other ('non-core') income to UNDP reaching a total of $3.63 billion. Earmarked contributions from bilateral donors reached $1.36 billion. Earmarked contribution from multilateral partners and the European Commission amounted to $1.24 billion. Local resources provided by programme countries further decreased to just over $1 billion. Overall, the total level of other resources demonstrates that UNDP continues to be called upon to support governments to obtain, direct and manage different types of funding in accordance with national priorities.

4. Other ('non-core') resources represent an important complement to the un-earmarked regular resource base of UNDP. As in previous years however, the ratio of core to non-core income remains approximately one to four. The ability of UNDP to fulfil its mandate and deliver effective capacity-building support for development, including with the help of earmarked funding, critically depends on sufficient core funding to enable UNDP to pursue flexible, integrated management and programming approaches focused on long-term effectiveness and sustainability. As stressed in General Assembly resolution 62/208 on the triennial comprehensive policy review of operational activities for development of the United Nations system, and outlined in the integrated resources framework of the UNDP strategic plan (approved by the Executive Board in decision 2007/32), UNDP is striving to balance the regular and other resources ratio.

# II. Background

5. In Executive Board decisions 98/23, 99/1 and 99/23, and reaffirmed in decisions 2002/9, 2002/18, 2003/24, 2004/14, 2005/20, 2006/24, 2007/17 and 2008/16, the Executive Board established a funding system for UNDP designed to foster continuous, transparent dialogue on regular funding, facilitate mobilization of adequate regular resources, and enhance funding predictability. In that context, the Board adopted an annual funding target of $1.1 billion by 2007 and stressed the urgent need to achieve annual increases to meet the target.

[1] This amount includes regular and other resources as detailed in this paragraph. Contributions to the funds and programmes administered by UNDP and other contributions are not included. As per standard practice, overall income and contributions to UNDP will be covered in the second regular session of the Executive Board under the segment pertaining to the 'annual review of the financial situation in 2008'.

6. The multi-year funding framework (MYFF) 2004-2007, endorsed by the Board in its decision 2003/24, reaffirmed the critical importance of securing an adequate level of regular resources. As reflected in regular MYFF reports (DP/2005/16, DP/2006/18, DP/2007/26) and welcomed by the Executive Board in decisions 2005/23, 2006/24 and 2007/26, the gross regular resource income achieved in 2004, 2005 and 2007 exceeded the respective annual MYFF targets, falling short of the target only in 2006.

7. In its decision 2007/32, the Executive Board approved the integrated financial resources framework of the strategic plan covering the planning cycle 2008-2011, thereby replacing the funding framework and targets embedded in the MYFF. The integrated financial resources framework represents the overall funding target for the strategic plan, encompassing regular and other resources. Accordingly, the UNDP integrated financial resources framework projections for 2008-2011 total $20.6 billion, or an average of $5.15 billion per year, ranging from $5 billion in 2008 to $5.3 billion in 2011. This overall resource projection underscores the intent to sustain overall income levels achieved in 2005, 2006 and 2007 while prioritizing the necessary increases in regular resources to ensure the multilateral, universal and collaborative work of UNDP. It also underscores the overall goal of strengthening support to achieving the Millennium Development Goals at the country level.

8. Against that backdrop, contributions to regular resources are projected to reach $5.3 billion over the four year period (2008-2011) in nominal terms: $1.1 billion in 2008; $1.25 billion in 2009; $1.4 billion in 2010 and $1.55 billion in 2011. The average annual target is derived from a comprehensive examination of regular resources requirements in the Executive Board-approved country programme documents, as well as from the requisite biennial support budget projections. The estimate of total programmatic demand for regular resources was adjusted in line with the stated objectives and priorities of the strategic plan, including strengthening of results areas of UNDP comparative advantage and added value, and the phasing out of areas where those qualities are not present. Projections relating to the other resource components, as reflected in the integrated resources framework, mirror these objectives and priorities, and underpin the ambition to gradually rebalance the regular to other resources ratio.

*United Nations Capital Development Fund*

9. The United Nations Capital Development Fund (UNCDF) focuses on two practice areas of high relevance to achieving the Millennium Development Goals: (a) decentralization and local development; and (b) inclusive finance. The comparative advantage and niche of UNCDF builds on its mandate and capacity to provide a mix of small-scale capital grants, credits and guarantees, and capacity-building services to key public and private sector actors at the local level. It takes that knowledge and experience and channels policy-relevant lessons to the national level for replication and upscaling. In 2008, UNCDF had operations in 38 countries, including 10 post-conflict countries. With an overall performance rate of 77 per cent in its decentralization and local development practice area, and 80 per cent in its inclusive finance practice area, UNCDF achieved its programmatic targets.

*United Nations Development Fund for Women*

10. The United Nations Development Fund for Women (UNIFEM) strategic plan, 2008-2011, was written at a watershed moment in United Nations support for gender equality and women's empowerment. United Nations leadership has endorsed enhancing the coherence, authority, status and resources of the entities that provide technical support for gender equality in the United Nations system. Member States are debating the guidance that they will provide on strengthening

the architecture that supports gender equality in the context of United Nations reform. Without pre-empting such guidance, UNIFEM has devised a strategic plan that enables it to move forward in implementing its core business: supporting countries to advance gender equality and women's empowerment in line with their national priorities. Linking normative commitments to operational realities will be a primary contribution of UNIFEM to demonstrating the 'how-to' of achieving gender equality at the country level, to greater synergy and coherence in the work of the United Nations, and ultimately, to the achievement of the Millennium Development Goals by 2015.

*United Nations Volunteers*

11. The United Nations Volunteers (UNV) programme is the United Nations organization that contributes to peace and development through volunteerism worldwide. Volunteerism is a powerful means of engaging people in tackling development challenges, and it can transform the pace and nature of development. Volunteerism benefits society at large and individual volunteers by strengthening trust, solidarity and reciprocity among citizens, and by purposefully creating opportunities for participation. The UNV programme contributes to peace and development by advocating for the recognition of volunteers, working with partners to integrate volunteerism into development programming, and mobilizing increasing numbers of diverse volunteers, including experienced volunteers, throughout the world. The UNV programme embraces volunteerism as universal and inclusive, and recognizes volunteerism in its diversity, as well as the values that sustain it – free will, commitment, engagement and solidarity. In 2008, more than 7,700 professionally qualified, experienced and committed women and men from 159 countries served as volunteers in United Nations system-wide efforts for peace and development, including achieving the Millennium Development Goals in 132 countries. Seventy-nine per cent of the volunteers were nationals of developing countries, reaffirming the UNV programme as a concrete expression of South-South cooperation. In financial terms, the programme surpassed $204 million. Of this, 3 per cent was financed from the Special Voluntary Fund.

# III. Preparatory process

12. In early May 2009, the Executive Board secretariat wrote to all States members of UNDP in preparation for the 2009 annual funding meeting. In line with Executive Board decisions 98/23 and 99/1, reaffirmed in decisions 99/23, 2000/1, 2002/9, 2004/14, 2005/23, 2006/24, 2007/17 and 2008/16, members were requested to communicate their voluntary contributions to UNDP and its associated funds and programmes, and were encouraged to provide multi-year pledges.

13. As of the time of preparing the present report, 30 countries, including 11 members of the Development Assistance Committee (DAC) of the Organisation for Economic Co-operation and Development (OECD), had already indicated their 2009 pledges. However, a number of Member States were not yet in a position to convey their pledges. Tables 1 and 2 contained in the statistical addendum to this report (available on the Executive Board website) are based on information received and the best estimates of the secretariat using 2008 contributions. Table 3 provides information on government in-kind contributions. All 2008 figures are provisional and subject to modification upon confirmation of actual income figures for the year.

# IV. Volume

## A. UNDP regular resources

14. Following steady increases in UNDP regular resources since 2001, when resources increased for the first time after seven years of steady decline, UNDP regular resources remained at the 2007 level in 2008. Provisional data shows that contributions to regular resources for 2008 reached $1.10 billion, with Norway, the Netherlands, Sweden, the United States and the United Kingdom, in that order, being the five largest donors in absolute dollars terms. Current projections suggest that contributions to regular resources will decrease to approximately $985 million, subject to exchange rate fluctuations. Most donors have pledged to maintain their contributions in 2009. For the first time in many years, however, some donor countries will decrease their contributions. Others had not yet indicated their intentions at the time of writing this report.

15. The political commitment of Member States to enhancing the regular resource base of UNDP is reflected in the fact that 57 countries made contributions to the regular resources of the organization in 2008, including 26 countries that increased or resumed contributions. Many programme countries did so despite considerable internal constraints.

16. Eight members of the OECD/DAC increased their contributions to regular resources in 2008, compared to 14 in 2007. Luxembourg increased its contribution by 71 per cent and Spain and Australia each increased their contributions by 40 per cent or more. Spain had already doubled its contributions in 2006 and again in 2007. Austria, Belgium, Finland, France and Switzerland also increased their contributions.

17. In 2008, 25 Member States contributed $1 million or more to the regular resources, including 21 of the currently 22 OECD/DAC members, as well as China, India, the Republic of Korea* and Saudi Arabia*.

18. Historical and projected income figures for UNDP are traditionally expressed in nominal terms (that is, dollars at current value) and cannot capture the variation in the real value of UNDP income resulting from inflation and exchange rate variations. While core income expressed in nominal terms increased by 32.7 per cent between 2004 and 2007, real core income adjusted for inflation and the performance of the dollar vis-à-vis other currencies grew by 16.8 per cent during the period. The funding base of UNDP remains exposed to exchange rate fluctuations; reducing this vulnerability and mobilizing an adequate and predictable level of regular resources is a priority.

19. In many of its decisions, the Executive Board recognized that the ability of UNDP to fulfil its mandate and to preserve its multilateral, impartial and universal character depends upon an adequate and secure regular funding base. Restoring growth and enhancing predictability to the regular funding of United Nations development activities has been discussed widely, including in the context of the most recent triennial comprehensive policy reviews and General Assembly resolutions 56/201, 59/250 and 62/208.

## B. UNDP other resources

20. Non-core resources are earmarked to specific themes, programmes and activities, and represent a critical complement to the regular resource base of UNDP. Provisional data show that non-core resource contributions to UNDP

* Contribution to 2007 regular resources received in January 2008

reached $3.63 billion in 2008, which is approximately 7 per cent below the overall estimate of $3.9 billion in the strategic plan. However, the total level of other resources demonstrates that UNDP continues to be called upon to support governments to obtain, direct and manage different types of funding in accordance with national priorities.

21. Bilateral contributions from OECD/DAC donor governments amounted to $1.361 billion in 2008, which represents an increase of 26 per cent compared to 2007 and exceeds the strategic plan estimate of $1.3 billion for 2008. Many donor governments, including virtually all OECD/DAC donors, are active in co-financing UNDP programmes.

22. Non-core resources entrusted to UNDP by non-bilateral partners and multilateral funds – such as the European Commission, the Global Environment Facility and the Global Fund to Fight Aids, Tuberculosis and Malaria – reached $1.236 billion, which represents an increase of about 3 per cent over 2007, but remains below the estimated strategic plan target of $1.35 billion for 2008.

23. Local resources, channelled through UNDP by programme country governments and other local partners in support of their own national development, amounted to $1.031 billion, a decrease of almost 20 per cent compared to 2007, and 23 per cent compared to 2006. Thus, local resources decreased more sharply than projected, suggesting steady progress in the portfolio alignment called for in the strategic plan.

24. General Assembly resolution 62/208 stresses that core resources, because of their untied nature, continue to be the bedrock of the operational activities for development of the United Nations system and, in this regard, notes with concern that the share of core contributions to United Nations funds and programmes has declined in recent years. The imbalance between regular and other resources must be addressed on a continuous basis. For UNDP, the Executive Board noted in its decision 2007/26 that earmarked resources have continued to far exceed regular resources, that this affects the ability of UNDP to fulfill its mandate adequately and to effectively support the development agenda of partner countries, and that un-earmarked contributions are vital for the coherence and harmonization of operational activities for development.

*United Nations Capital Development Fund*

25. In 2008, income to UNCDF rose to its highest annual level in 15 years, surpassing $50 million. Contributions to UNCDF regular resources increased from $15.6 million in 2007, to $23.5 million in 2008, including a $6 million contribution from UNDP in accordance with Executive Board decision 2007/34. Regular resources contributions in 2008 came from 13 donors, with Sweden, Spain, Norway, Luxembourg and Belgium, in that order, being the five largest donors in absolute dollars terms. Five donors increased their contributions: Austria, Luxembourg, and Turkey doubled their contributions, Spain increased its contribution by 50 per cent, and Belgium increased by more than 10 per cent. The upward trend in regular resources initiated in 2006 and sustained throughout the past three years, however, did not yet reach the target of $25 million in 2008 as set out in the UNCDF investment plan for the period 2008-2011. The main increase in the total income of UNCDF is based on substantial growth in other resources, which more than doubled and amounted to $26.6 million in 2008, compared to $12.9 million in 2007. Among the top five contributors to other recourses are the Bill and Melinda Gates Foundation and the Belgian Survival Fund, as well as Australia, Canada and Luxembourg. In 2008, UNCDF also received funding under the 'One United Nations' programmes in Rwanda and Mozambique, as well as from the Millennium Achievement Fund for its programme in Nicaragua.

*United Nations Development Fund for Women*

26. The UNIFEM strategic plan, 2008-2011, projects a total resource target of $405.9 million for the period, comprised of $258.4 million in regular resources and $147.5 million in other resources. UNIFEM has developed a strong resource mobilization strategy to enable it to achieve the results outlined in its strategic plan and advance gender equality and women's empowerment worldwide, in the context of the Millennium Development Goals. In 2008, total resources received by UNIFEM exceeded those targets and amounted to $121 million, including $51 million in regular resources (against the $46 million anticipated in the strategic plan) – up 16 per cent from 2007; $65 million in other resources (against $32 million anticipated in the strategic plan); and trust funds in the amount of $5 million (excluding special trust funds). Contributions to special trust funds managed by UNIFEM included $18.3 million for the United Nations Trust Fund in Support of Actions to Eliminate Violence against Women and $65 million for the establishment of a gender equality fund. Increasingly strong partnerships with private sector and foundation partners resulted in $4.6 million in contributions.

*United Nations Volunteers*

27. The importance of the Special Voluntary Fund, as the primary means through which the UNV programme can continuously develop innovative approaches to maximize the relevance and effectiveness of its work, cannot be overemphasized. The Special Voluntary Fund is a general contribution fund that allows the UNV programme to implement a modest but critical research and pilot intervention agenda on the application of the concept of volunteerism for development. It also enables the UNV programme to test ways in which domestic and international volunteerism can best be harnessed as a strategic force in support of development and peace. By mobilizing an increasingly broad range of volunteers, extending the integration of volunteerism into development programming, and scaling up its global advocacy work, the contribution of the UNV programme towards achieving the goals will be maximized. Contributions to the Special Voluntary Fund reached $5.8 million, in nominal terms, in 2008. Given the catalytic role of resources from the Special Voluntary Fund, the UNV programme is seeking to augment the fund so as to further explore, expand and strengthen the role of volunteerism and its contributions to development.

# V. Predictability

28. As reflected in General Assembly resolutions 59/250 and 62/208 on the triennial comprehensive policy reviews of operational activities for development of the United Nations system, and in Executive Board decision 98/23, reaffirmed in decisions 99/1, 99/23, 2002/9, 2004/29, 2005/23, 2006/24, 2007/17 and 2008/16, Member States are encouraged to contribute on a multi-year basis, in a sustained and predictable manner. At the time of writing the present report, 20 countries had made indicative pledges for 2009. Australia, Belgium, the Netherlands, Norway and the United Kingdom made formal multi-year pledges mostly covering the period of the strategic plan, 2008-2011. Considering the great uncertainty caused by the global economic and financial crisis, it is more important than ever that donors commit to multi-year pledges to ensure the predictability of resource flows beyond 2009 and to allow the organization to meet the resources targets reflected in the integrated resources framework of the strategic plan. Members unable to provide a multi-year pledge formally, because of national legislative or other restrictions, are encouraged to provide indicative amounts for the forthcoming years.

29. In its decision 98/23, the Executive Board determined that the predictability of core resources could be strengthened if States members of UNDP announced specific payment schedules, with early payment encouraged. In paragraph 12(b) (iii) of decision 98/23, the Board decided, inter alia, to review at the funding meeting the timing of payments made in the previous calendar year. In 2008, 11 donors provided fixed payment schedules, compared to nine in 2007 and 11 in 2006 and the three preceding years; 14 in 2002 and 15 in 2000. However, of the donors that provided payment schedules, many did not pay according to those schedules. By July 2008, 32 per cent of estimated gross income had been received, compared with 56 per cent in 2007, 63 per cent in 2006 and 54 per cent in 2000. Although a number of donors delayed payment of significant proportions of their pledges until the last quarter, UNDP did not have to draw upon its operational reserves.

30. Table 3 in the statistical addendum to the present report (available on the Executive Board web page) includes a payment schedule for 2009 contributions communicated to the Executive Board secretariat at the time of writing the report. The secretariat notes with appreciation the efforts to date of donor governments that communicated payment schedules, as well as efforts made by donors that paid their contributions early and in full. Member States that have not already done so are encouraged to inform the secretariat of their intended payment schedules, including, where possible, early payment. Members are encouraged to adhere to their respective schedules in terms of the currency and timing of payments.

## VI. Reducing overdependence on a limited number of donors

31. In its decisions 98/23 and 99/1, the Executive Board recognized that overdependence on a limited number of donors carries risks for the long-term financial sustainability of UNDP. Accordingly, it urged all donors and programme countries in a position to do so – most recently in decision 2005/23 – to increase their contributions to regular resources. It is estimated that the 'top 10' donors to UNDP will provide close to 80 per cent of the total 2009 regular resources of UNDP. In 2000, those donors accounted for 86 per cent of total contributions to regular resources. With the aim of reducing overdependence and broadening the donor base, the Administrator has continued to reach out systematically to donors and programme countries alike to build commitment for common action in order to ensure that the resource base of the organization reaches agreed target levels.

32. Many programme countries contribute to reducing overdependence by providing UNDP with: (a) contributions to regular resources; (b) government cash contributions towards local office costs; and (c) government in-kind contributions, such as the provision of rent-free office premises, in addition to substantial resources to UNDP programmes in their respective countries. The total amount of regular resource contributions from programme countries, after the application of the accounting linkage to government contributions towards local office costs, amounted to approximately $19 million in 2008. Four programme countries contributed $1 million or more.

*United Nations Capital Development Fund*

33. UNCDF continues to rely on a small number of donors. The five largest contributors to its regular resources provided 91 per cent of the total 2008 regular resources. With the aim of sustaining the upward trend in resources mobilized, reducing overdependence and broadening the donor base, UNCDF has continued to reach out systematically to donors and programme countries alike to secure sufficient funding to meet the growing demand from least developed countries for

UNCDF investment and capacity-building services and to ensure that the resource base of the organization reaches agreed target levels.

*United Nations Development Fund for Women*

34. Efforts to diversify and increase UNIFEM 'other' resources continued to show positive results. UNIFEM is also seeing results from efforts to mobilize resources locally and through private sector partnerships. UNIFEM is implementing its '100/100' strategy: $100 million for the regular budget from 100 government donors by 2011, the final year of its strategic plan. The number of countries contributing to UNIFEM regular and other resources increased from 49 per cent in 2007, to 80 per cent in 2008. This included first time pledges on the part of five African and five Latin American and Caribbean governments. Additionally, UNIFEM recorded increased support from 19 countries from all regions. Efforts by UNIFEM to broaden its resource base from non-traditional donors raised $4.6 million from private corporations, non-governmental organizations, UNIFEM national committees and private foundations for UNIFEM programmes and advocacy initiatives as well as for the United Nations Trust Fund in Support of Actions to Eliminate Violence against Women.

*United Nations Volunteers*

35. Efforts to widen and diversify the donor base of the UNV programme continued to show positive results in 2008. One additional programme country contributed to regular resources, and a number of donors expressed their intentions to contribute for the first time in 2009. Over the past year, the UNV programme has reached out to a number of donor countries with a view to broadening its donor base and increasing the predictability of regular resources.

# VII. Conclusions

36. The increase in regular resources since 2001, the fact that UNDP met the first annual target of the strategic plan, 2008-2011, in nominal terms, and the level of other resources entrusted to the organization over the past several years are clear indications of the political support extended to UNDP by its members and of their high expectations of the organization.

37. In the context of the global economic and financial crisis, that support is more important than ever if the organization is to play a meaningful role in multilateral development and achieve the programmatic objectives agreed to by the Executive Board and reflected in the strategic plan. UNDP accords high priority to securing an adequate, stable and predictable base of regular resources and rebalancing the ratio of regular to other resources.

38. The integrated resources framework of the strategic plan, as approved by the Board in its decision 2007/32, sets the direction in that respect and requires the full support of Member States if the prescribed targets are to be achieved. UNDP is committed to working with its partners to ensure the most effective use of the resources entrusted to UNDP.

39. The ability of UNDP to deliver effective capacity-building support for development depends critically on a level of core funding that supports flexible, integrated management approaches focused on long-term effectiveness. Development is a long-term challenge that requires strategic focus coupled with tactical flexibility and an ability to respond to crises and opportunities. This is what UNDP aims to achieve, with the help and support of its partners.